

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00  
DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03  
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15  
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01  
DOE-15 SIL-01 /114 W  
-----124192 061743Z /45

R 061632Z SEP 78  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 9742  
INFO ALL EC CAPITALS  
AMEMBASSY BELGRADE

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 14346

E.O. 11652: GDS  
TAGS: ECIN, EEC, YU, UK  
SUBJECT: EC YUGOSLAV RELATIONS: UK PERSPECTIVE

REF: (A) BONN 15890; (B) STATE 173646

1. WE DISCUSSED EC-YUGOSLAV RELATIONS ON SEPTEMBER 5 WITH MICHAEL JENKINS, THE HEAD OF THE FOREIGN OFFICE'S EUROPEAN INTEGRATION (EXTERNAL) DEPARTMENT. JENKINS WAS EAGER TO TALK ABOUT THE SUBJECT ALTHOUGH HE WAS NOT ABLE TO SPEAK VERY DEFINITELY ABOUT THE UK POSITION, IN PART BECAUSE THE EC COMMISSION'S STAFF HAS NOT YET UNVEILED ITS PAPER ON THE SUBJECT. JENKINS THINKS THE PAPER WILL GO TO THE COMMISSION FOR APPROVAL ON SEPTEMBER 13 AND THEN REACH COREPER EITHER ON SEPTEMBER 14 OR THE NEXT WEEK.

2. THE FOREIGN OFFICE HAS FOR SOME TIME BEEN CONCERNED ABOUT THE PROSPECTS FOR YUGOSLAVIA, PARTICULARLY POST TITO, AND HAS TRIED WITHOUT MUCH SUCCESS TO DEVELOP IDEAS ABOUT WHAT TO DO TO STRENGTHEN  
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YUGOSLAVIA'S TIES WITH THE WEST. THE COMMISSION'S SOLUTION OF A PREFERENTIAL ARRANGEMENT AROUSED BRITISH DOUBTS BOTH BECAUSE THE YUGOSLAVS THEMSELVES ARE NERVOUS ABOUT SUCH AN ARRANGEMENT, AND BECAUSE OF A CLUSTER OF LINKED FACTORS, SUCH AS THE GATT IMPLICATIONS AND THE US ATTITUDE TO PREFERENTIAL ARRANGEMENTS. FINALLY THERE IS CONSIDERABLE DOUBT ABOUT HOW MUCH

HELP THE YUGOSLAVS WOULD GET FROM SUCH ARRANGEMENTS.

3. THE BRITISH GOVERNMENT IS STUDYING ALTERNATIVES TO COMMISSION PROPOSALS. TWO ALTERNATIVES IN THE INDUSTRIAL AREA ARE MFN TARIFF REDUCTIONS OR ELIMINATIONS TARGETED TO AID YUGOSLAVIA, AND IMPROVEMENTS IN THE GSP, EITHER IN PRODUCT COVERAGE OR REGARDING BUTOIRS, WHICH WOULD ALSO BE BIASED IN FAVOR OF YUGOSLAVIA. NEITHER OF THESE, AS FAR AS THE DEPARTMENTS OF TRADE AND INDUSTRY HAVE BEEN ABLE TO SEE, ARE VERY PRACTICAL. IT MIGHT ACTUALLY BE EASIER IN TERMS OF UK DOMESTIC INDUSTRIAL REACTIONS, TO SELL A SWEEPING PREFERENTIAL ARRANGEMENT THAN TO TINKER WITH SELECTIVE RESTRICTIONS WHICH HAVE A CONSTITUENCY BEHIND THEM. ON AGRICULTURE IT IS EASY FOR THE UK TO PROPOSE MAJOR LIBERALIZATION BUT THE EC COUNTRIES CHIEFLY AFFECTED HAVE A LOUDER VOICE. REVIEW OF THE COMMITMENTS OF THE EUROPEAN INVESTMENT BANK SHOULD IN THE UK VIEW BE UNDERTAKEN AND THERE COULD PERHAPS BE AN INCREASE IN LOAN AVAILABILITIES FOR THE YUGOSLAVS (THOUGH THE OVERSEAS DEVELOPMENT MINISTRY IS IN OPPOSITION ON THE GROUNDS THAT YUGOSLAVIA IS NOT AN LDC). FINALLY, JENKINS HAS THE IMPRESSION THAT THE GERMANS, THOUGH

ELUCTANT TO HAVE THE EC NEGOTIATE WITH YUGOSLAVIA ON LABOR, MIGHT BE WILLING TO DO SOMETHING BILATERALLY.  
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HE FEELS THE YUGOSLAVS ARE IN ANY EVENT MORE INTERESTED IN SPECIFICS SUCH AS RETRAINING FACILITIES AND EQUAL SOCIAL BENEFITS THAN IN LIBERALIZATION OF FREEDOM OF MOVEMENT.

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-----124176 061745Z /45

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 14346

4. THE OVERALL IMPRESSION JENKINS GAVE US WAS THAT DESPITE THE SOMEWHAT NEGATIVE LINE TAKEN BY OWEN IN THE JULY COUNCIL OF MINISTERS MEETING, THE BRITISH MIGHT WELL BE WILLING TO GO ALONG WITH AN IMPROVED AGREEMENT WITH YUGOSLAVIA IF THEY ARE CONVINCED THAT IT WOULD SERVE A POLITICAL PURPOSE. IN THIS CONNECTION HE EXPRESSED GREAT CURIOSITY ABOUT THE US ATTITUDE. WE RESPONDED ALONG THE LINES OF REFTEL B. JENKINS THEN SAID HE SUPPOSED THAT WHEN COMMISSION THINKING BECAME CLEARER AND MORE SPECIFIC, THE US WOULD BE MORE ABLE TO RESPOND. WHILE RECOGNIZING THE MAIN CHANNEL OF COMMUNICATION WOULD BE THROUGH USEC TO THE COMMISSION, THE BRITISH GOVERNMENT WOULD LIKE TO KNOW WHAT WAS SAID. HE HAS A SECOND CONCERN, WHICH IS THE POLITICAL APPEAL OF THE COMMISSION PROPOSALS IN YUGOSLAVIA. HE DOES NOT FEEL THAT HAVERKAMP HAS GIVEN THE MEMBER STATES A BASIS ON WHICH TO JUDGE WHETHER A PREFERENTIAL ARRANGEMENT IS DESIRED BY OR EVEN. TOLERABLE TO THE CONFIDENTIAL

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YUGOSLAVS.

5. UNTIL THESE POINTS ARE CLARIFIED, THE BRITISH APPROACH IS LIKELY TO APPEAR NEGATIVE. THIS WILL PROBABLY BE TRUE AT LEAST IN THE INITIAL COREPER DISCUSSIONS, FOR WHICH WHITEHALL HAS DEVELOPED A SORT OF QUESTIONNAIRE AS A BASIS FOR UK REP PARTICIPATION - A QUESTIONNAIRE WHICH BY ITS NATURE IS NEGATIVE. BUT THE UNDERLYING BRITISH ATTITUDE IS AMBIVALENT, A BALANCE OF WORRIES ABOUT BRITISH INDUSTRY AND TRADE POLICY IMPLICATIONS WITH POLITICAL CONCERNS ABOUT THE FUTURE OF YUGOSLAVIA.

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## Message Attributes

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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
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**Disposition Date:** 20 Mar 2014  
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**Review Event:**  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014